

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-06 NEA-09 ISO-00 FEA-01 AEC-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01

H-01 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03

RSC-01 SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00

FRB-03 SSO-00 NSCE-00 INRE-00 PRS-01 /100 W

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 7699

INFO AMEMBASSY CARACAS IMMEDIATE

AMEMBASSY JIDDA IMMEDIATE

AMEMBASSY KUWAIT IMMEDIATE

AMEMBASSY TEHRAN IMMEDIATE

AMEMBASSY THE HAGUE IMMEDIATE

C O N F I D E N T I A L LONDON 01331

E.O. 11652: GDS

TAGS: ENRG, IR, UK

SUBJECT: OPEC OIL FOR BRITISH NORTH SEA OIL?

REF: LONDON 1036, THE HAGUE 223 (NOTAL)

BEGIN UNCLASSIFIED

1. ACCORDING TO JANUARY 27 FINANCIAL TIMES, IRANIAN OPEC DELEGATE AMOUZEGAR TOLD FT THAT IRAN HAS PROPOSED TO BRITAIN AN OIL SWAP ARRANGEMENT WHEREBY IT WOULD MAKE AVAILABLE A QUANTITY OF CRUDE OIL TO BRITAIN NOW AND BE REPAID AT LATER DATE IN KIND FROM NORTH SEA' AMOUZEGAR SAID IDEA RECENTLY HAD BEEN PUT TO A SENIOR UK OFFICIAL BUT AS YET NO RESPONSE HAS BEEN RECEIVED. AMOUZEGAR DECLINED TO PROVIDE DETAILS, INCLUDING VOLUMES ENVISAGED. PROPOSAL IS A VERY TENTATIVE ONE AND SHOULD BE SEEN IN CONTEXT OF IRAN'S GENERAL THINKING ABOUT ASSISTING
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DEFICIT CONSUMER COUNTRIES OVER THEIR PAYMENTS DIFFICULTI

2. JANUARY 28 GUARDIAN REPORTS SAUDI ARABIA HAS APPROACHED HMG ABOUT SIMILAR SWAP OF SAUDI CRUDE FOR NORTH SEA OIL. VERY TENTATIVE EXPRESSION OF SAUDI INTEREST ADDS A NEW DIMENSION TO SWAP PROPOSALS BECAUSE THEY ARE BY FAR THE BIGGEST OIL PRODUCER IN OPEC. GOVERNMENT RECEPTION TO IRANIAN, SAUDI AND VENEZUELAN APPROACHES IS THOUGHT TO BE EXTREMELY LUKEWARM. ONE PROBLEM IS THAT THERE COULD BE SCOTTISH NATIONALIST ACCUSATIONS THAT HMG IS MORTGAGING SCOTLAND'S FUTURE WEALTH TO OTHER OIL PRODUCERS IN ORDER TO EASE BALANCE OF PAYMENTS PROBLEMS. PERHAPS MORE IMPORTANTLY, BRITAIN IS ONLY NATION AMONG LARGER CONSUMING COUNTRIES IN A POSITION TO ACCEPT SUCH AN EXCHANGE OFFER. THERE IS BACKGROUND FEAR THAT THIS JU MIGHT BE AN INDIRECT WAY OF BREAKING THE CONSUMERS' FRONT WHICH IS A SIGNIFICANT POINT IN RUN-UP TO CONSUMER/PRODUCER CONFERENCE. SAUDI APPROACH, DISCLOSURE IN ALGIERS OVER WEEKEND THAT IRANIANS HAD MADE SIMILAR PROPOSAL AND INTEREST OF VENEZUELAN MADE KNOWN LAST YEAR SUGGEST WIDE ATTRACTION FOR SWAP IDEA AMONG OPEC MEMBERS. END UNCLASSIFIED

3. COMMENT: FCO SOURCE INFORMS US GUARDIAN STORY ADDS SOME GLOSS TO OFFICIAL HMG POSITION WHICH IS EXTREMELY RESERVED. FOR REASONS REPORTED HE ASSURES US BRITISH ARE IN EARLY STAGES OF CONSIDERING PROPOSALS AND NO DECISIONS ARE LIKELY WITHIN FORESEEABLE FUTURE. WE UNDERSTAND SAUDI APPROACH, ALTHOUGH VAGUE, INVOLVES SUBSTANTIAL QUANTITIES OF OIL. IRANIAN PROPOSAL WAS MADE TO MINISTER FOR ENERGY LORD BALOGH DURING A PRIVATE VISIT TO IRAN DURING CHRISTMAS HOLIDAY.

4. SECSTATE CALLAHAN OR MEMBER OF HIS PARTY WILL BRIEF SECRETARY KISSINGER OR OTHER DEPARTMENT OFFICIALS DURING WASHINGTON VISIT LATER THIS WEEK ON ALL THREE SWAP PROPOSALS. SUGGEST DEPARTMENT EXPLORE AT LENGTH WITH SIR DONALD MAITLAND AND LEONARD WILLIAMS. SPIERS

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